



# CONSUMER'S GUIDE TO BUYING A VEHICLE FROM A DEALERSHIP

**BUREAU OF AUTOMOTIVE REGULATION  
MICHIGAN DEPARTMENT OF STATE**

**W**hen you are shopping for your next vehicle, there are many things you will want to think about carefully. Just as important as make, model, and color, for example, are things like warranties, financing, and insurance.

This brochure describes what is involved when buying from a Michigan vehicle dealer, including purchasing, financing, insuring, titling and registering a vehicle.

The Michigan Department of State wants you to know your rights when buying a new or used vehicle. The Department's Bureau of Automotive Regulation licenses and regulates automobile dealers and repair shops, informs consumers of their rights and investigates related complaints.

## ■ Selecting a vehicle

When you select a vehicle, test drive it. Ask the dealer specific questions, such as whether the vehicle has ever been involved in an accident or had any major repairs done.

**Warranty.** Have a clear understanding and a written copy of the dealer's warranty for your chosen vehicle. Read it carefully. There is no such thing as a verbal warranty.

New vehicles normally carry warranty coverage from the manufacturer. Extended service contracts on new or used vehicles may be sold separately.

When reading a warranty, ask these questions:

- How long is the warranty valid?
- What is and is not covered?
- What costs will you pay if there is a problem?
- How will you obtain service?

**"As Is."** Don't assume a vehicle has a warranty. *In fact, most used vehicles are not warranted for any period of time.* Any vehicle sold "As Is" carries no warranty. You must pay for any repairs needed on a non-warranted vehicle.

If you select a used vehicle, consider having it checked by an independent mechanic before you buy. If the dealer promises to make repairs to get you to buy the vehicle, make sure you get the promises in writing. There is no such thing as a "3-day cool off" period.

Federal rules require dealers to display a "Buyer's Guide" sticker with warranty information in a side window of each used vehicle. If the vehicle is warranted, the sticker must state the terms.

## ■ Financing a new or used vehicle

If you finance a new or used vehicle, shop around for the best interest rate. Financing may be available from the dealership, a bank, credit union or other lending institution. Before making your decision, consider not only the payment amount, but also the interest rate and how many months it will take to repay the loan.

The dealer or lending institution may encourage you to buy either disability insurance or credit life insurance. *Beware of dealers or lenders who imply these are required. Neither disability nor credit life insurance is required by law, and either may be canceled at any time.*

**Credit disability insurance** is a policy that makes vehicle loan payments when you are injured and unable to work.

**Credit life insurance** is a policy to pay off a vehicle loan upon your death or permanent disability.

Before you buy either, consider whether they duplicate your other life, accident or disability policies. Be aware that the cost of these coverages may be added to the amount of your loan and you could be paying interest on the cost of insurance.

## ■ The leasing alternative

Leasing a vehicle has become a popular alternative to purchasing for people who may not have a large down payment or do not wish to own a vehicle. The monthly lease payment can be comparable to a loan payment.

Consumers should be aware that leasing may involve large costs for excess mileage, early termination, or excess wear and tear. When you lease a vehicle, make sure all the terms of the lease are in writing, that you understand the terms of the lease and that you agree with the terms.

## ■ Before you sign a purchase agreement

Make sure you receive a copy of the purchase agreement from the dealer before you pay for anything. Look it over carefully. Make sure you understand everything before signing it. Never sign a blank purchase agreement.

Get all promises and other terms in writing. Do not rely on spoken promises. Purchase agreements should contain the following information:

- the same purchase price quoted by the salesperson;
- all options/accessories you want to buy; and
- the dealer's policy on refunding deposits.

Your signature may be binding and may authorize the dealer to keep your deposit if you change your mind.

**Other Costs.** Be aware that there are always more costs involved than just the price on the window sticker.

The dealer is required to charge you 6 percent Michigan sales tax. The dealer is also required to apply for the vehicle's title and make arrangements for a license plate.

Any dealer-installed accessories or services you have ordered, such as rustproofing or paint protectant, may also be added to the price. Dealers can charge a document fee of up to \$40.

## ■ Insuring your vehicle

If you are the owner or registrant of a vehicle *required to be registered in Michigan*, then you are required by law to carry a no-fault automobile insurance policy. Required coverages include bodily injury/property damage (BI/PD), personal injury protection (PIP), and property protection insurance (PPI). These required coverages do not pay for damage to your vehicle nor do they cover theft. If you want your insurance company to cover damage to your vehicle or to cover theft, you may choose to carry collision coverage and/or comprehensive coverage.

If you finance a new or used vehicle, your lender may require that you purchase comprehensive and/or

collision coverage. If you do not have these coverages, your lender may require that you pay the cost of collateral protection coverage. The cost of collateral protection insurance is often much more expensive than collision and comprehensive coverage. The cost is made part of your loan payment. Collateral protection insurance protects only the lender's interest in the vehicle and compensates the lender in case of damage to the vehicle.

## ■ Completing the sale

Before accepting delivery, check to make sure all promised equipment has been included. Test drive the vehicle again to be sure it is working properly.

The dealer is required by law to give you a copy of every document when you sign it.

Make sure you have the following:

- a copy of the Application for Michigan Title – Statement of Vehicle Sales (RD-108);
- a copy of any written warranty on the vehicle or any services purchased (such as rustproofing or extended service contract);
- a copy of the odometer mileage statement, if buying a new vehicle;
- a copy of the “Buyer’s Guide” window sticker, if buying a used vehicle;
- a new license plate and registration, or your old plate and a temporary or permanent registration, or a 15-day temporary registration affixed to the rear window; and
- a copy of the finance contract/lease agreement.

If you are purchasing a used vehicle, the dealer must show you the previous owner's title. Examine it carefully. If the front of the title indicates “previously issued salvage title,” the vehicle was previously issued a salvage title, probably due to vehicle damage. You are entitled to a salvage disclosure form from the dealer.

## ■ After the sale

You should receive a second copy of your Application for Michigan Title – Statement of Vehicle Sales (RD-108) in the mail within 20 days of the sale. You should receive an original title in about

30 days. Review it for accuracy. If there are errors, contact your local Secretary of State branch office.

*Always keep your title in a safe place. Do not store the title in your vehicle.*

Maintain your vehicle regularly according to the owner's manual to prolong the life of the vehicle.

If repairs are needed, consult the Bureau's *Auto Repair Rights & Repair Tips*, *Consumer's Guide to Automatic Transmission Service*, *Consumer's Guide to Brake Repair Service*, *Consumer's Guide to Collision Repairs*, and *Consumer's Guide to Vehicle Restoration* brochures to learn your rights and what to expect from a competent repair shop.

If you have a complaint about a vehicle dealer, contact the Bureau of Automotive Regulation at the telephone number listed below.

### **Additional automotive brochures published by the Department of State:**

*Auto Repair Rights & Repair Tips*  
*Consumer's Automotive Information & Complaint Kit*  
*Consumer's Guide to Automatic Transmission Service*  
*Consumer's Guide to Brake Repair Service*  
*Consumer's Guide to Collision Repairs*  
*Consumer's Guide to Private Vehicle Sales*  
*Consumer's Guide to Vehicle Leasing*  
*Consumer's Guide to Vehicle Restoration*

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